George
Weston
Limited

Annual
Report
1974

Weston

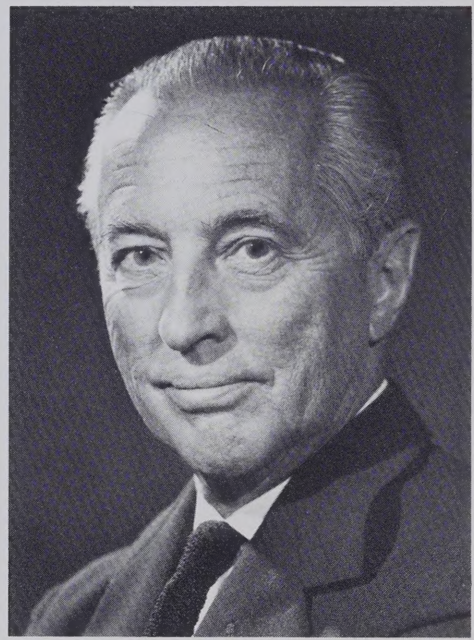
George Weston Limited is a Canadian company with widely diversified operations in food processing, fisheries, forest products, packaging and wholesale-retail food distribution. With total consolidated sales in excess of $4.7 billion, George Weston Limited is one of the largest food manufacturers and distributors in North America.

Financial Highlights

	Including all Subsidiaries	Excluding Loblaw Companies Limited	
	1974	1974	1973
Sales	**$4,733,355,000**	$1,760,893,000	$1,377,360,000
Net Income	**42,058,000**	43,731,000	34,629,000
Income from Operations	**40,179,000**	43,731,000	34,629,000
Cash Generated from Operations	**104,313,000**		66,730,000
Working Capital	**181,084,000**	127,763,000	119,078,000
Working Capital Ratio	**1.30 to 1**	1.40 to 1	1.53 to 1
Dividends	**14,222,000**	14,222,000	12,047,000
Shareholders' Equity	**230,296,000**	244,167,000	214,880,000
Total Assets	**1,294,307,000**	771,926,000	622,922,000
Per Common share			
Net Income	**$3.73**	$3.88	$3.06
Income from Operations	**3.55**	3.88	3.06
Dividends	**1.195**	1.195	.995

George Weston Limited
Annual Meeting, May 9, 1975 at 10:30 a.m.
Royal York Hotel, Toronto

Report to Shareholders



W. Garfield Weston

Inflationary pressures created a uniquely challenging environment for the management teams of our operating and subsidiary companies in 1974. Operating costs underwent violent changes; raw material costs advanced at unprecedented rates due to runaway commodity prices; interest rates reached record levels; and labour costs moved rapidly ahead, often without compensating productivity gains. At the same time, higher market prices resulted in dramatic decreases in worldwide demand for such basic products as sugar and seafood products. Finally, governmental efforts to slow down the rate of inflation, plus increased capital demands to replace inflated inventories resulted in an acute decrease in the availability of capital.

In the face of these inflationary pressures, George Weston Limited and its subsidiaries achieved record results in 1974, demonstrating once again the strength inherent in the diversity of our group of companies.

Record sales and earnings were achieved before and after fully consolidating Loblaw Companies Limited financial results.

- 1974 sales increased to $1.8 billion from $1.4 billion in 1973. Fully consolidated sales with Loblaw Companies increased this figure to $4.7 billion.
- Earnings increased to $43.7 million ($3.88 per common share) from $34.6 million ($3.06 per common share) in 1973. Consolidation with Loblaw Companies reduced profits slightly to $42.1 million or $3.73 per common share.

Improved performance in major segments of our business more than compensated for deterioration in the results of several key subsidiaries.

— Major improvements were achieved in the following segments:
  - Sound management and improved market conditions resulted in Forest Products Division profits of $30.3 million compared with $8.9 million in 1973.
  - Loblaw Companies achieved a major profit turnaround from an operating loss of $18.7 million in 1973 to a profit of $1.1 million in 1974 reflecting the effects of the massive restructuring program implemented over the past 3 years.
  - Food processing (exclusive of sugar refining operations) and Weston retail, wholesale operations also produced increased profits despite severe inflationary pressures.

— Deterioration in operating results occurred in:
  - Fisheries where rising costs could not be recovered in the face of lower prices arising from a slackened world demand for seafood products.
  - Our new sugar refining operations experienced severe start-up problems. In particular, inflated raw sugar inventories resulted in this division incurring substantially greater financial costs than anticipated.

Corporate changes

Over the past few years a number of changes in the corporate structure of George Weston and its subsidiaries have been made to provide a more effective operating environment. This process continued in 1974.

— Subsequent to the end of the year, control of our Westfair operations was transferred to Kelly, Douglas in return for an exchange for a number of common shares determined by independent appraisal. This transaction provided our companies with unified direction of all wholesale and retail operations from the Lakehead to Canada's west coast.

Loblaw Companies Limited has also agreed, subject to shareholder approval, to purchase the Company's 81% interest in Kelly, Douglas & Company, Limited for additional shares of Loblaw Companies Limited thus increasing the Company's investment therein from 63% to 81%.

— Also subsequent to the year-end, Loblaw Companies announced its intention to purchase the minority interests of Sayvette, G. Tamblyn, Limited and Loblaw Inc., and to substantially increase its invesment in National Tea Co.

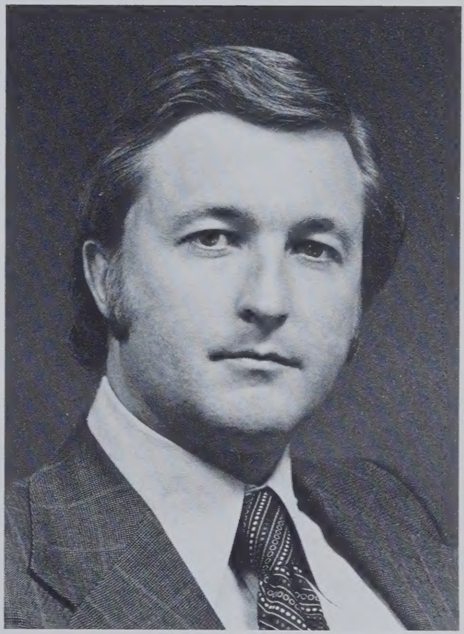
Outlook

At this date, inflationary trends continue unabated and the future economic climate is uncertain. Fortunately, our company is almost exclusively engaged in the processing and distribution of essential products. This factor, combined with the diversity of our group of companies and their positive record under similar inflationary pressures in 1974, gives reason for optimism as to our prospects for improved operating performance in 1975.

W. Garfield Weston
Vice-Chairman of the Board
and President

W. Galen Weston
Chairman of the Board and
Managing Director

April 7, 1975


W. Galen Weston

Review of Operations

The accounts of Loblaw Companies Limited and its subsidiaries are included in this report on a fully consolidated basis for the first time. The basis of this consolidation is described in note 1 to the financial statements.

Major emphasis was continued in 1974 to revitalize the food distribution sector. Many improvements were made and are continuing to be made in facilities and in operating techniques.

The Loblaw Companies group recovered from a substantial loss position in 1973 to a roughly breakeven position at the operating income level in 1974. Forest Products was the major contributor to the 1974 consolidated earnings, while the new sugar refinery suffered rather severe losses in start-up and in financing the highly inflated sugar inventories.

The total operations are segregated in this report into five divisions—Food Processing, Fisheries, Forest Products & Packaging, Wholesale & Retail and Loblaw Companies. Their principal subsidiaries, facilities, products & services and operations for the year are described elsewhere in the report.

Sales

Consolidated net sales in 1974 increased to $4.73 billion, a gain of 733 million or 18.3% over 1973. There were no major external acquisitions during the year and in consequence this increase reflects almost exclusively internal growth and price inflation. Comparative sales by division and in relation to total sales are shown in the division reports.

Earnings

Consolidated net income for the year was $42.1 million as compared to $34.6 million in 1973 ($3.73 versus $3.06 per common share). These figures reflect the inclusion of Loblaw Companies Limited on a fully consolidated basis in 1974 and to the extent of dividends received in 1973. On the 1973 basis of consolidation the 1974 consolidated net income would be $43.7 million ($3.88 per common share).

Consolidated net income for 1974 included an extraordinary gain of $1.9 million primarily on disposal of a property while there was no extraordinary income in 1973. Income from operations for 1974 was therefore $40.2 million or $3.55 per common share as compared to $34.6 million or $3.06 per common share in 1973.

The Forest Products contribution to income from operations increased from $8.9 million in 1973 to $30.3 million in 1974. Fisheries operating income declined from $8.1 million to $2.3 million. Loss for the year in respect of the new sugar refinery amounted to $7.6 million. Loblaw Companies obtained a breakeven position.

Dividends

Dividends on the common shares declared in 1974 amounted to $13.1 million as compared to $10.9 million in 1973. The quarterly rate of dividend was increased from 28¢ to 30.5¢ effective with the dividend payable on July 1, 1974. Total dividends declared increased from $.995 per share in 1973 to $1.195 per share in 1974. The regular rates of dividend were continued on all classes of preferred shares.

Working Capital

Working capital was increased at the beginning of the year by $78.5 million to $197.6 million through consolidation of Loblaw Companies Limited. Changes during the year resulted in a net decrease in working capital of $16.5 million to derive a balance at the end of the year of $181.1 million. The reduction is largely attributable to increased purchases of fixed assets.

Capital Expenditures

Fixed asset expenditures in 1974 amounted to $116.4 million (including approximately $48 million relating to the Loblaw Companies group) as compared to $48.5 million excluding Loblaw Companies Limited in 1973. Proceeds from sales were $22.1 million. In addition to the amount of $116.4 million a further $7.2 million of fixed assets was obtained through acquisition of a number of businesses during the year.

Approximately $21 million of an estimated total cost of $29 million was expended in respect of the new Distribution Centre for National Tea Co. located near Chicago. Very substantial sums were expended on new stores and renovations throughout the wholesale and retail distribution sector. Further major expenditures included approximately $4 million of a planned $5 million biscuit manufacturing plant at Sioux City, Iowa, and $4.6 million to complete the lumber sawmill at Nairn Centre near Sudbury, Ontario.

Depreciation written in the year amounted to $48.8 million as compared to $19.8 million excluding Loblaw Companies Limited in 1973.

Long-Term Debt and Shareholders' Equity

Long-term debt less amounts payable within one year increased by $6.8 million net to $258.2 million. There were no public financings in the year. Issued common stock increased by $1,607,000 through conversion of Preferred shares.

Corporate Changes

At the beginning of the year the British Columbia wholesale and retail operations of Westfair Foods Ltd. were sold to Kelly, Douglas & Company, Limited and at the end of the year Kelly, Douglas acquired all of the retail drug outlets of G. Tamblyn, Limited in Western Canada. These actions were taken in order to provide unified direction and eliminate duplication in the Western Canada operations. During the year a 94% interest in Clark Dairy Limited, located in Ottawa, Ontario, and 100% of Rudolph McChesney Lumber Company, operating a saw mill in Timmins, Ontario, were acquired. Both have modern facilities to add to existing dairy and lumber operations.

Subsequent Events

Loblaw Companies Limited has offered to purchase the minority interests in the equity share capital of Loblaw Inc., Sayvette Limited and G. Tamblyn, Limited and a portion of the minority interest in National Tea Co. sufficient to increase its investment therein to 80%.

Loblaw Companies Limited has also agreed, subject to shareholder approval, to purchase the Company's 81% interest in Kelly, Douglas & Company, Limited for additional shares of Loblaw Companies Limited thus increasing the Company's investment therein from 63% to 81%.

Food Processing

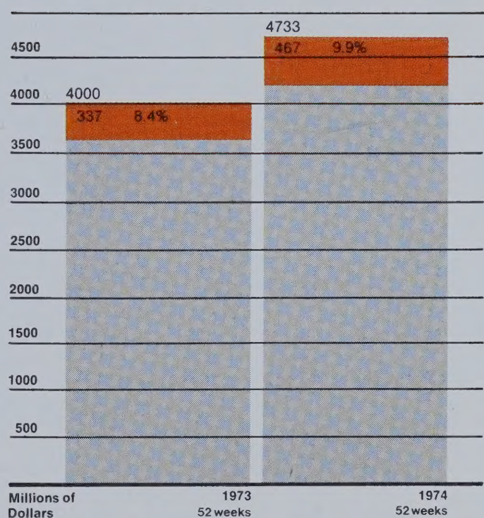
The Food Processing division includes the operations of Bakery, Biscuit, Chocolate and Dairy and Food Specialties (including the sugar refinery). Total sales for the groups in 1974 amounted to $467 million or 9.9% as compared to $337 million or 8.4% of 1973 consolidated net sales. Operating income was severely reduced by a loss of $7.6 million on the sugar operations.

Bakery sales increased 34.2% to $131.9 million with a proportionate increase in earnings. During the year continued progress was made in the installation of a computer network in the various plants, in the integration of production in the various bakeries to provide for longer runs of specific products and in the development of frozen bread dough for home and in-store baking.

Sales of the Biscuit operations increased 17% to $142.2 million and income from operations returned to a more satisfactory level. Realignment of production in the various plants in Canada and the United States continues. Construction of the new baking facility of Johnson Biscuit Company at North Sioux City, S. Dakota, is nearing completion.

Chocolate and Dairy sales at $89.5 million reflected a gain of 24% while income from operations improved proportionately. The Neilson operations experienced a slightly lower physical volume of sales while the dollar volume increased by about 16%. Rapidly rising costs of ingredients, particularly cocoa beans and sugar, necessitated substantial increases in sale prices. A new concept in the candy bar market, Neilson's Cinnamon Danish, was successfully launched in Ontario and Canada-wide distribution is planned for 1975. The Dairy operations increased its dollar volume by about 50%, partly due to the acquisition during the year of Clark Dairy Limited in Ottawa.

Food Specialties other than the sugar operations reflected increases in dollar but not physical volume of sales. While earnings on the whole were inadequate the Bowes group maintained its satisfactory performance of the previous year. Inclusive of the sugar operations



Division & Consolidated Sales

sales were $103.6 million. Difficulties in starting up the new refinery resulted in higher unit costs and larger inventories. The unprecedented escalation in price of raw sugar and the unusually high interest rates during the year gave rise to extremely high financial costs which together with the start-up costs resulted in a loss of $7.6 million for the year. Refining operations are now much improved, prices of raw sugar have declined and the outlook for 1975 appears more optimistic.

Freshly baked bread on the wrapping line at Weston Bakeries in Toronto

Principal Subsidiaries

Bakery
- Weston Bakeries Limited
  - Lane's Bakeries Limited
- Stuart Limited
- Wittich's Bread Limited
- Soo Line Mills (1969) Limited
- McCarthy Milling Company, Limited

Biscuit
- InterBake Foods Limited
- Weston Foods Limited
- McCormick's Limited
  - Imperial Cone Company
- Paulin Chambers Co. Ltd.
- Marven's Limited
- Kambly (of Switzerland) Canada Limited
- Interbake Foods Inc. (U.S.) and divisions
  - Southern Biscuit Company
  - American Biscuit Company
  - Johnson Biscuit Company
  - Bates Packaging Services

Chocolate & Dairy
- William Neilson Co. Limited
- Donlands Dairy Limited
- Clark Dairy Limited

Food Specialties
- Bowes Company, Limited
  - Chocolate Products Limited
  - McNair Products Company, Limited
  - Rose & Laflamme Limited
  - Saxonia Fruit Preserving Company, Limited
  - Watt & Scott Limited
- Westcane Sugar Limited

Facilities

Bakery
Bakeries in Vancouver, Calgary, Edmonton, Regina, Winnipeg, Essex, Kitchener, Toronto, Sudbury, Kingston, Kirkland Lake, Montreal and Moncton.
Flour mills in Winnipeg and Streetsville, Ontario.
Warehouses in principal cities in Canada.

Biscuit
Biscuit and confectionery plants in Winnipeg, Brantford, Toronto, London, Longueuil, Moncton in Canada and Richmond, Va., Tacoma, Wash., Sioux City, Iowa and Battle Creek, Mich.
Sales branches and distributors in principal cities of Canada and United States.

Chocolate & Dairy
Chocolate production facilities in Toronto. Ice cream plant in Toronto and dairies in Beachville, Guelph, Ottawa and Toronto, Ontario.

Food Specialties
Manufacturing and processing plants in Toronto, Montreal, and Colborne, Ontario.
Warehouses in principal Canadian cities.
Refinery and warehouse in Oshawa, Ontario.

Products & Services

Bakery
Produces a wide variety of bread, rolls, cakes and other bakery products under national brand and private label for distribution to food stores and catering outlets in all provinces of Canada. Produces flour and mill feeds for internal use and domestic and export markets.

Biscuit
Manufactures and distributes a broad range of sweet biscuits, crackers, ice cream cones, confections and candies throughout Canada and in the United States.

Chocolate & Dairy
Produces and distributes throughout Canada and in the United States a wide range of chocolate bars and boxed chocolates, chocolate coatings, cocoa and specialty items. Also manufactures bulk and packaged ice cream and frozen novelties, and processes milk and associated products.

Food Specialties
Manufactures a variety of ingredients and products for the baking, confection, dairy and fountain industries.
Packages and distributes a full line of dried and glace fruits, nuts, cereals and health foods.
Produces liquid bulk and granulated bulk and packaged white sugars.

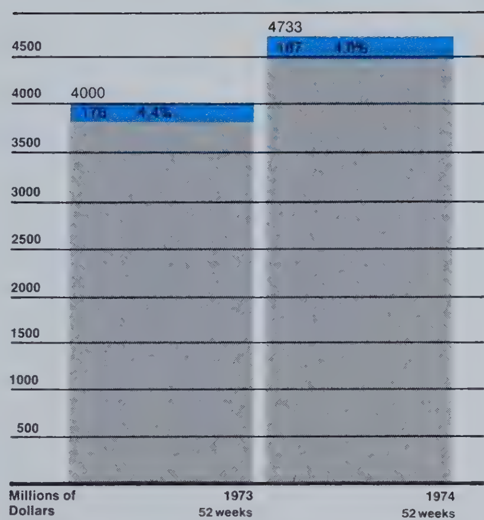
Fisheries

Sales of the Division were 6.1% higher than 1973 at $187.1 million (4.0% of consolidated net sales). Sales of British Columbia Packers Limited increased 4.9% while those of Connors Bros. Limited gained 14.7%.

Net income of British Columbia Packers Limited dropped sharply from $9.3 million in 1973 to $1.6 million in 1974. While a decline was not unexpected the extent of the decline was greater than anticipated. Higher costs of labour, fuel and other production supplies, and lower fish landings resulted in higher unit costs. These higher costs coincided with weaker markets and declining prices for most products. In addition, interest expense almost tripled, reflecting the cost of carrying higher-valued inventories at high interest rates. During 1974 the economies of the United States, the United Kingdom and Japan (the major export outlets of the company) deteriorated, their consumption of seafoods declined and selling prices fell.

Salmon landings in British Columbia were 10% below the 10-year average but 30% below 1973. Herring landings on the Atlantic coast were approximately the same while groundfish landings declined about 30%. Groundfish operations on the West Coast were curtailed to bring inventories to levels appropriate to the markets. The Certi-Fresh operations in the United States declined in both sales and earnings. A frozen shrimp operation in Texas was acquired during the year in order to round out the company's line of seafood products.

The Connors Bros. Limited operation on the East Coast improved its sales by 14.7% and its earnings by 17.8% over 1973 — due primarily to increase in both domestic and export sales of herring. Its new cannery at Black's Harbour, New Brunswick, being built at a cost of about $2 million, is expected to be completed in the spring of 1975.



Division & Consolidated Sales

Principal Subsidiaries

British Columbia Packers Limited
  Nelson Bros. Fisheries Limited
  Rupert's Certi-Fresh Foods, Inc.
Connors Bros., Limited
  H.W. Welch, Limited
  Lewis Connors & Sons Limited

Facilities

British Columbia Packers Limited has extensive canning, freezing and processing facilities on both coasts of Canada and subsidiary operations in Alaska, Washington, Illinois, California and Texas.
Connors has similar facilities in the Bay of Fundy area including a can manufacturing plant.

Products & Services

British Columbia Packers group is a major supplier of Pacific coast salmon and a wide variety of fresh, frozen, canned and prepared seafoods, as well as fish meal and oil. Connors group is Canada's leading packer of sardines and a large processor of Atlantic Ocean seafoods and fish products.

Fresh salmon at British Columbia Packers in Vancouver

Forest Products and Packaging

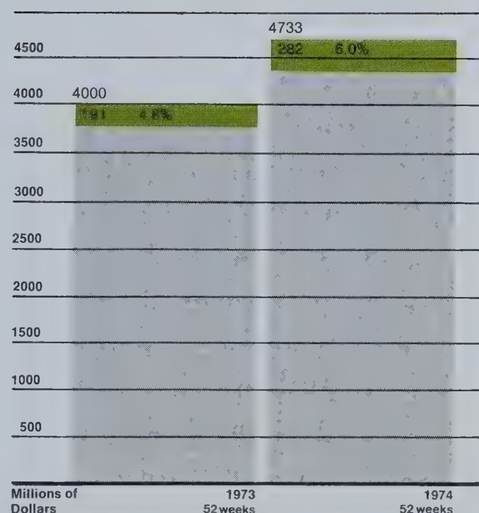
Both sales and income reached record high levels in 1974. Sales of the Division at \$282.5 million (6.0% of consolidated net sales) reflected an increase of 47.6% or \$91.1 million. Profit margins in most areas reached satisfactory levels after a number of years of depressed earnings.

The Eddy Forest pulp mill operations improved upon the productivity gains experienced in 1973 and benefited greatly from the substantial increases in world prices of pulp which resulted from demand outgrowing supply.

The E.B. Eddy papermill operations at Hull-Ottawa reflected substantially increased sales and earnings due primarily to the improved market conditions which prevailed throughout the paper industry until the general economic slowdown in the last quarter of the year. The Eastern Fine Paper operation in Brewer, Maine, showed a marked improvement, surpassing the satisfactory level achieved in 1973.

The Wood Products operations were expanded through the acquisition of the McChesney Lumber Mill at Timmins, Ontario, and the completion of the 100 million boardfeet dimension lumber mill at Nairn Centre, Ontario. Earnings were depressed by the soft lumber market conditions resulting from the slowdown in building construction in both United States and Canada. However, the utilization of the by-product chips and waste fibre from these greatly expanded operations as raw material and fuel in the manufacture of pulp at Espanola has proved to be highly profitable. The J.E. Boyle white pine operation experienced a satisfactory level of profit despite the curtailment in demand for lumber.

At Somerville Industries sales rose 20.3% to \$61.7 million. All divisions except automotive products showed substantial improvements. Automotive product sales declined 9% as a result of the sharp cut-back in North American car production in the latter part of the year. Net income from operations at \$2.8 million reflected recovery to more normal performance. It is anticipated that 1975 will be a difficult year but Somerville Industries is well prepared to meet the challenge.



Division & Consolidated Sales

Final phase of paper production at E.B. Eddy in Hull, Quebec

Principal Subsidiaries

Forest Products
- Eddy Paper Company Limited
  - The E. B. Eddy Company
  - Eddy Forest Products Limited
  - Rudolph McChesney Lumber Company Limited
  - Eastern Fine Paper, Inc. (U.S.)

Packaging
- Somerville Industries Limited
  - Somerville Automotive Trim Limited
  - Canadian Folding Cartons Limited

Facilities

Forest Products
Extensive timber limits and wood harvesting facilities in Ontario and Quebec. Pulp mill in Espanola, Ontario and paper mills in Espanola and in Hull, Quebec and Brewer, Maine. Sawmills in Davidson, Quebec and Nairn Centre and Timmins, Ontario. Flexible packaging plant in Hamilton, Ontario.

Packaging
Major packaging plants in London, Toronto, Montreal and Winnipeg. Automotive trim component plants in Toronto and Windsor. Plastic moulding and point-of-purchase display plants in Toronto.

Products & Services

Forest Products
Manufactures and distributes fine, specialty and kraft papers for printing, converting, packaging and wrapping; paper-board kraft pulps and lumber; tissue, other household and industrial paper products; flexible packaging.

Packaging
Folding cartons of all types; games and puzzles; fibreboard, hardboard and plastic compression moulded automotive components; plastic cups, dishes and cutlery; custom injection moulding and vacuum forming; merchandising display and exhibits. Distribution across Canada and in the United States.

Wholesale and Retail

Sales in this Division increased $188.4 million or 26.3% to $903.8 million (19.1% of consolidated net sales).

Kelly, Douglas had sales of $486.0 million in 1974 as compared to $305.3 million in 1973 and $279.9 million in 1972. Net operating income declined from $2.9 million in 1972 to $1.4 million in 1973 and recovered in 1974 to $3.0 million. While 1974 sales increased by $180.7 million and earnings increased by $1.6 million or 120.4%, the earnings per dollar of sale were well below the industry average at .61¢.

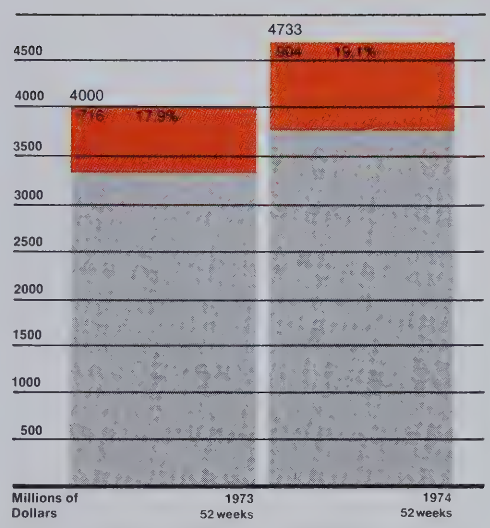
The sales increase is largely attributable to the acquisition of the Malkins Limited wholesaling and Shop-Easy, Mini-Mart and Econo-Mart retailing operations in British Columbia from Westfair Foods Ltd., at the beginning of the year. The consolidation of the Malkin and Kelly, Douglas wholesaling operations has resulted in significant economies and has given rise to a gain of $575,000 on sale of a redundant warehouse.

Sales increases were reflected in almost all divisions. The Nabob manufacturing operations experienced a return to more normal profitability. Other divisions generally showed improvement in performance.

At the end of the year the retail drug outlets in Western Canada of G. Tamblyn, Limited, an affiliated company, were acquired. The addition of the Tamblyn outlets should greatly improve the profitability of the Isaac's Pharmacy operations. Subsequent to the year end, Kelly, Douglas acquired control of Westfair Foods Ltd., through an exchange of shares, thus providing unified direction of wholesale and retail operations throughout Western Canada.

Westfair sales for the year at $306.9 million were increased by $28.1 million or 10.1% over 1973. Net operating income increased 5.3% to $4.1 million. Gain on sale of the British Columbia operations to Kelly, Douglas brought the 1974 net income to $7.9 million. Also at the beginning of the year Westfair acquired from George Weston Limited the OK Economy wholesale and retail operations in Saskatchewan. During the year an extensive program of revitalizing the Loblaw stores in Alberta and Manitoba was completed. Westfair now controls all of the Weston-Loblaw wholesale and retail food operations from Alberta to the head of the lakes.

Old State Foods operates retail food outlets in western New York state. Sales for the year 1974 were $110.9 million as compared to $88.7 million in 1973. The operations continued to be profitable.



Division & Consolidated Sales

Fork-lift truck in operation at one of the distribution centres in Toronto

Principal Subsidiaries

Kelly, Douglas & Company, Limited
- Nabob Foods Limited
- Super Valu Stores (B.C.) Division
- Cal-Van, Canus Catering Services Ltd.
- Campco Pacific Inc.
- Cloverdale Paint & Chemicals Ltd.
- Isaacs Pharmacy Ltd.
- Dickson's Food Services Ltd.
- Foremost Foods Ltd.
- W.H. Malkin Ltd.
- Westfair Foods Ltd.
  - Western Grocers
  - Dominion Fruit
  - O.K. Economy Stores
  - Shelly Brothers
  - Econo-Mart
  - Loblaw West

Old State Foods, Inc.
- Peter J. Schmitt Co., Inc.
- Rila Corporation
- Medo Foods, Inc.
- Langridge, Inc.
- 7980 Transit Foods, Inc.
- Dick Road Foods, Inc.
- Peajay Foods, Inc.
- Rival Foods, Inc.

Facilities

Food and drug distribution warehouses and retail outlets throughout Western Canada and wholesale and retail food distribution facilities in western New York state. Food manufacturing plants in Burnaby, B.C. and Ajax, Ontario.

Products & Services

Westfair wholesales and retails food and other products in Alberta, Saskatchewan, Manitoba, Western Ontario and North West Territories, operating convenience stores, discount outlets and food markets.
Kelly, Douglas manufactures food, paint and chemical products, mainly for distribution in the Western market. The retail operations include supermarkets, drug markets, and paint and decorating stores, mostly in British Columbia and Alberta. The food and drug wholesale operations operate only in B.C. and the Yukon. The catering and restaurant servicing operations operate throughout Western Canada and also in Alaska.
Old State wholesales and retails food in western New York state.

Loblaw Companies

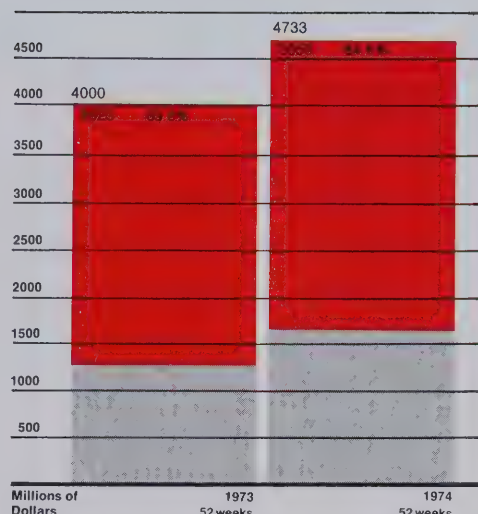
Loblaw Companies which conducts wholesale and retail distribution primarily of food products through four divisions across Canada and extensively in the United States, increased its consolidated net sales from $2.69 billion in the 52 weeks of 1973 to $3.06 billion in 1974—an increase of 13.7%. Operating results improved from a net loss of $18.7 million in 1973 to $1.1 million profit in 1974.

Canadian Food Retailing, which includes Loblaws and Zehr's in Ontario and Dionne in Quebec, had sales of $686.2 million in 1974 as compared to $576.5 million in 1973. The 1973 figure includes $11.0 million in divisions in Western Canada that were sold. Net operating profit showed a significant improvement over 1973. The program of store renovation and improvement of operating controls and techniques continues and is resulting in increasing profitability.

United States Food Retailing results expressed in Canadian dollar equivalent reflects sales of $1.83 billion, an increase of 11.2% over 1973, and reduction in net operating loss from $28.3 million in 1973 to $2.5 million in 1974. At National Tea sales rose from $1.28 billion to $1.45 billion while net operating losses dropped from $23.1 million to $2.7 million. A new 750,000 square foot distribution centre servicing 200 stores and replacing five obsolete warehouses was opened near Chicago and 55 unprofitable stores were closed. Extensive renovation of stores and programs to improve operating efficiencies continues. At Loblaw Inc. sales in 1974 were $383 million as compared to $364 million in 1973. An operating profit of $260 thousand was obtained in 1974 as opposed to a loss of $5.2 million in 1973. Seven supermarkets were closed and the closure costs provided for in 1974. Early in 1975 Louis Stores Inc., with 23 stores in San Francisco, was purchased and combined with Better Foods Inc., a subsidiary of the company, operating 11 stores. It is expected that the combining of these operations will ensure profitability in the California division.

Canadian Food Wholesaling obtained an increase in sales volume of 19.6% from $377.3 million in 1973 to $451.4 million in 1974. Net operating income improved from $1.5 million to $4.4 million or .97¢ per dollar of sale. National Grocers sales, including the National Grocers division of an affiliate company, increased from $268.2 million to $312.9 million. During the year two new distribution centres were opened at Chatham and Peterborough and six obsolete warehouses closed. Thirty-four franchised stores were added and eighteen stores remodelled. Atlantic Wholesalers obtained an increase of 27.1% in sales to $138.5 million. A number of modifications of warehouse facilities were made during the year and a new distribution facility is planned for Charlottetown, P.E.I. in 1975. Retail store operations continue to expand.

Canadian Non-Food Retailing comprised of the Tamblyn drugstore operations and the Sayvette department stores, had sales of $110.6 million as compared to $101.4 million in 1973. The Sayvette operations were again disappointing — a loss of $4.2 million in 1974 as compared to $2.7 million in 1973 — despite strenuous efforts to increase sales volume per store unit and contain fixed costs. Tamblyn, despite favourable sales trends, incurred an operating loss of $2.9 million in 1974 — increased from $2.0 million in 1973. A strong management team has been appointed and corrective programs are being implemented.



Division & Consolidated Sales

Principal Subsidiaries

Canadian Food Retailing
Loblaws Limited
Zehr's Food Markets Limited
Dionne Limited

United States Food Retailing
National Tea Co.
Loblaw Inc.

Canadian Food Wholesaling
National Grocers Company Limited
Atlantic Wholesalers Limited

Canadian Non-food Retailing
G. Tamblyn, Limited
Sayvette Limited

Facilities

Strategically placed warehouses, about 292 supermarkets and about 100 retail drug stores in Ontario, Quebec and the Maritimes, and department stores in the Toronto area. About 612 supermarkets primarily in central United States.

Products & Services

Retail marketing of food, drug and other products in Canada and United States — wholesale food distribution in eastern Canada. Department store merchandising in the Toronto area.

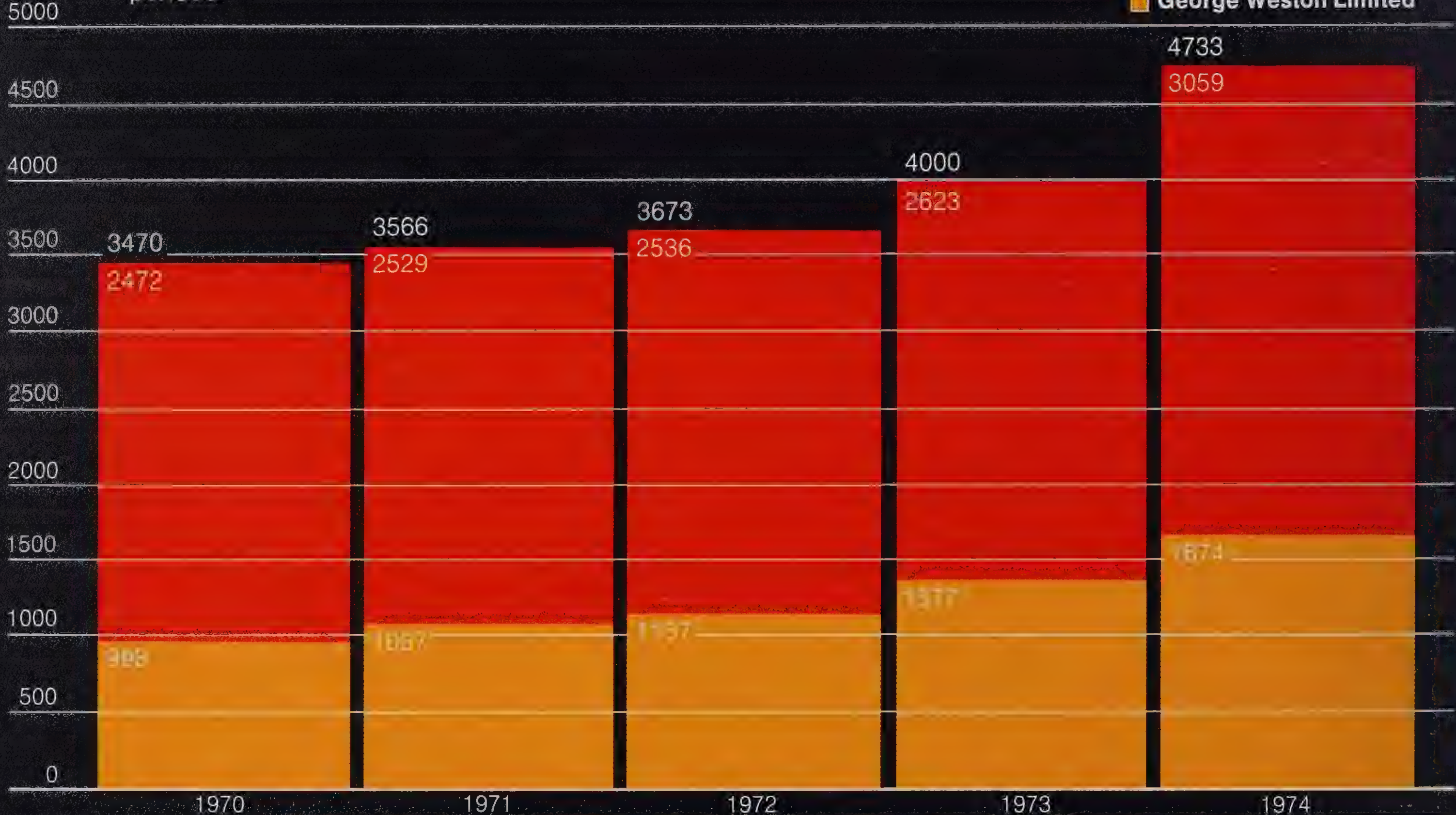
Loblaw paper products on shelf at a Loblaws store in Ontario

Financial Charts

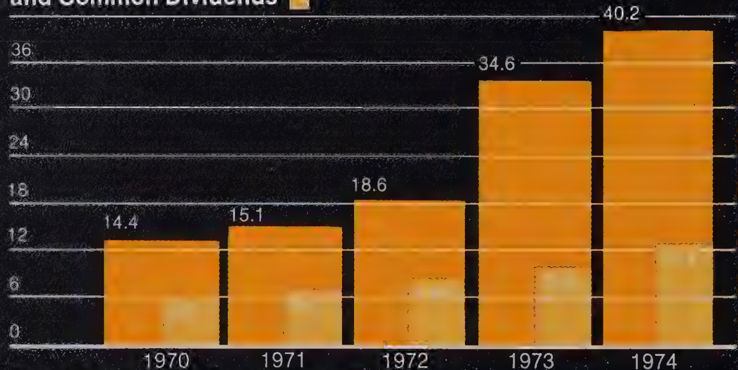
In Millions of Dollars

Net Sales 52 week periods

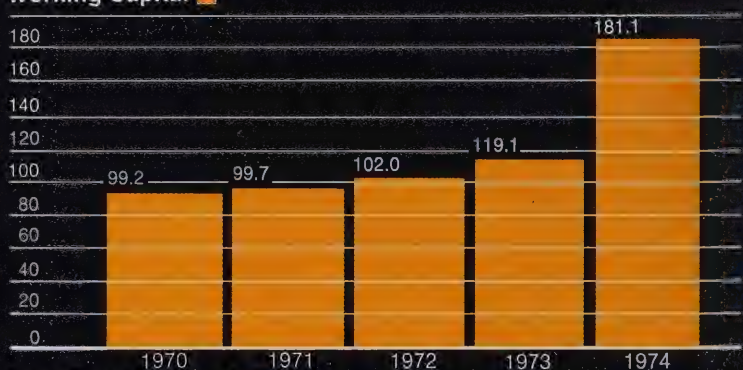
Loblaw Companies
George Weston Limited



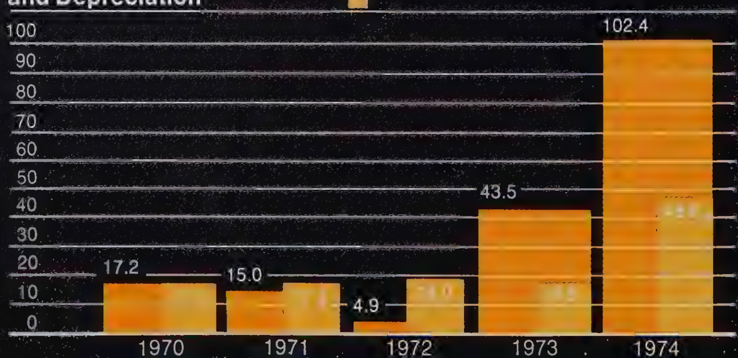
Income from Operations and Common Dividends



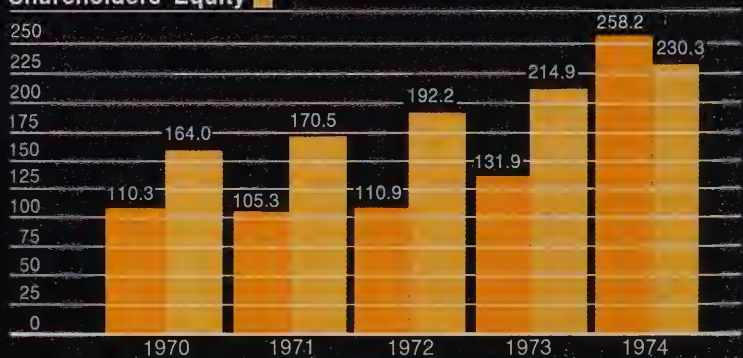
Working Capital



Fixed Assets Net Expenditure and Depreciation



Long Term Debt and Shareholders' Equity



Seven Year Review

George Weston Limited
(in millions of dollars)

	Including all Subsidiaries	Excluding Loblaw Companies Limited					
	1974	1973	1972	1971	1970	1969	1968
Sales and Income							
Sales	**$4,733.4**	$1,377.4	$1,137.2	$1,036.6	$997.4	$931.9	$729.9
Depreciation	**48.8**	19.8	19.0	17.4	17.2	15.8	12.6
Interest	**45.1**	15.8	10.2	10.3	11.4	11.2	8.5
Taxes on Income	**48.9**	31.1	13.7	11.4	11.9	13.0	12.0
Income from Operations	**40.2**	34.6	18.6	15.1	14.4	15.4	13.1
per common share	**3.55**	3.06	1.61	1.29	1.23	1.33	1.11
Extraordinary Items	**1.9**	—	11.3	1.7	1.2	.1	10.1
Net Income	**42.1**	34.6	29.9	16.8	15.6	15.5	23.2
per common share	**3.73**	3.06	2.65	1.45	1.35	1.33	2.04
Dividends							
common shares	**13.1**	10.9	9.6	9.2	8.7	8.2	8.2
preferred shares	**1.1**	1.2	1.0	1.0	.9	.9	1.0
Financial Position							
Current Assets	**783.8**	345.2	257.9	234.8	218.6	212.8	197.0
Current Liabilities	**602.7**	226.1	155.9	135.1	119.4	107.7	102.1
Working Capital	**181.1**	119.1	102.0	99.7	99.2	105.1	94.9
Fixed Assets—Net	**458.2**	213.2	182.7	181.0	183.4	183.4	158.4
Long-Term Debt	**258.2**	131.9	110.9	105.3	110.3	121.2	93.3
Shareholders' Equity	**230.3**	214.9	192.2	170.5	164.0	156.5	150.3
Total Assets	**$1,294.3**	$ 622.9	$ 498.0	$ 456.8	$442.4	$437.1	$397.0

Note: By reason of Loblaw Companies Limited being consolidated with George Weston Limited for the first time in 1974, the prior years figures are not directly comparable to 1974.

Consolidated Financial Statements

Consolidated Statement of Income

George Weston Limited
Year ended December 31, 1974
(in thousands of dollars)

	Including all subsidiaries	Excluding Loblaw Companies Limited (note 1(b))	
	1974	1974	1973
Sales and other income			
Sales	**$4,733,355**	$1,760,893	$1,377,360
Dividends from Loblaw Companies Limited		2,673	2,510
Other investment income	**4,503**	3,543	3 ,773
	4,737,858	1,767,109	1,383,643
Costs and expenses			
Cost of sales, selling and administrative expenses before the following items	**4,495,333**	1,621,613	1,271,871
Depreciation	**48,834**	23,301	19,811
Interest on long-term debt	**23,899**	12,035	9,202
Other interest	**21,225**	14,126	6,579
Rentals on long-term leases net of deferred real estate income amortization	**57,323**	8,742	7,024
	4,646,614	1,679,817	1,314,487
Income from operations before income taxes, minority interest and extraordinary items	**91,244**	87,292	69,156
Income taxes (note 2)	**48,929**	40,632	31,066
	42,315	46,660	38,090
Minority interest	**2,136**	2,929	3,461
Income from operations before extraordinary items	**40,179**	43,731	34,629
Extraordinary items (note 3)	**1,879**		
Net income for the year	**$ 42,058**	$ 43,731	$ 34,629
Per common share (note 12)			
Income from operations before extraordinary items	**$ 3.55**	$ 3.88	$ 3.06
Net income for the year	**$ 3.73**	$ 3.88	$ 3.06

Consolidated Balance Sheet

George Weston Limited
(incorporated under the laws of Canada)
As at December 31, 1974
(in thousands of dollars)

	Including all subsidiaries	
Assets	**1974**	*1973
Current assets		
Cash and short-term investments	**$ 55,470**	$ 26,062
Accounts receivable (note 4)	**161,058**	125,675
Investments in subsidiaries held for sale, at cost		40,080
Income taxes recoverable	**3,243**	9,882
Properties held for sale, at the lower of cost and net realizable value	**4,006**	5,779
Inventories (note 5)	**545,520**	456,375
Prepaid expenses	**14,496**	15,423
	783,793	679,276
Investments (note 6)	**28,882**	33,089
Fixed assets (note 7)	**458,164**	397,458
Deferred items and intangibles		
Goodwill arising on consolidation of subsidiaries, less amortization	**16,246**	13,937
Deferred foreign exchange adjustment	**4,593**	4,686
Other deferred charges	**2,629**	2,023
	23,468	20,646
	$1,294,307	$1,130,469

Approved by the Board

W. Galen Weston, Director

W. Garfield Weston, Director

* Restated note 1(b)

	Including all subsidiaries	
Liabilities	**1974**	*1973
Current liabilities		
Bank advances and notes payable (note 8)	**$ 197,087**	$ 156,608
Demand loan from affiliated company	**6,494**	5,050
Accounts payable and accrued liabilities (note 9)	**330,674**	278,175
Taxes payable	**42,596**	23,983
Dividends payable	**3,355**	3,056
Long-term debt payable within one year (note 10)	**22,503**	14,841
	602,709	481,713
Long-term debt (note 10)	**258,163**	251,345
Other liabilities (note 11)	**5,870**	7,695
Deferred income taxes	**38,545**	24,729
Deferred real estate income	**19,399**	19,855
	924,686	785,337
Minority interest in subsidiaries	**139,325**	142,450
Shareholders' Equity		
Preferred shares (note 12)	**19,930**	21,759
Common shares (note 12)	**20,834**	19,227
Retained earnings (note 13)	**189,532**	161,696
	230,296	202,682
	$1,294,307	$1,130,469

Consolidated Statement of Retained Earnings

George Weston Limited
Year ended December 31, 1974
(in thousands of dollars)

	Including all subsidiaries	Excluding Loblaw Companies Limited (note 1(b))
	1974	1973
Retained earnings at beginning of year		
As previously reported	**$173,894**	$151,312
Adjustment relating to the consolidation of Loblaw Companies Limited as at January 1, 1974 (note 1(b))	**(12,198)**	
As restated	**161,696**	
Net income for the year	**42,058**	34,629
	203,754	185,941
Dividends declared		
Preferred shares	**1,085**	1,187
Common shares (1974 — $1.195 per share; 1973 — $.995 per share)	**13,137**	10,860
	14,222	12,047
Retained earnings at end of year	**$189,532**	$173,894

Consolidated Statement of Changes in Financial Position

George Weston Limited
Year ended December 31, 1974
(in thousands of dollars)

	Including all subsidiaries 1974	Excluding Loblaw Companies Limited (note 1(b)) 1973
Working capital derived from		
Operations (note 14)	**$104,313**	$ 66,730
Gain on sale of G. Tamblyn, Limited head office and warehousing facility	**4,367**	
Income tax reductions realized on application of prior years' losses	**374**	
Book value of fixed assets disposed	**14,008**	5,034
Increase in long-term debt and other liabilities	**33,865**	37,210
Net reduction in investments	**3,739**	
Proceeds from issue of preferred and common shares	**56**	355
Other items	**129**	63
	160,851	109,392
Working capital applied to		
Purchase of fixed assets	**116,368**	48,526
Reduction in long-term debt and other liabilities	**30,241**	16,216
Purchase of preferred shares for cancellation	**205**	151
Dividends	**14,222**	12,047
Purchase of minority interest	**5,068**	698
Dividends to minority shareholders in subsidiary companies	**5,331**	793
Net increase in investments		5,934
Acquisition of subsidiary companies (net of working capital acquired of $941; 1973 — $2,432) (note 1(c))	**5,895**	7,963
	177,330	92,328
Increase (decrease) in working capital	**(16,479)**	17,064
Working capital at beginning of year		
As previously reported	**119,078**	102,014
Increase in working capital through consolidation of Loblaw Companies Limited (note 1(b))	**78,485**	
As restated	**197,563**	
Working capital at end of year	**$181,084**	$119,078

Notes to Consolidated Financial Statements

George Weston Limited
December 31, 1974

1. Summary of significant accounting policies

(a) Basis of consolidation

The consolidated financial statements for 1974 include the accounts of the Company and all subsidiaries. The effective interest of George Weston Limited in the equity share capital of principal subsidiaries which are not substantially 100% owned is as follows:

British Columbia Packers Limited	82%
Kelly, Douglas & Company, Limited	55%
Loblaw Companies Limited	63%
Loblaws Limited	63%
Atlantic Wholesalers, Limited	55%
Loblaw Inc. (U.S.)	46%
National Tea Co. (U.S.)	36%
Sayvette Limited	44%
G. Tamblyn, Limited	38%

The Company's effective interest in the equity share capital of principal subsidiaries may be revised as a result of events subsequent to the year end, see note 16.
The Company's effective percentage interest in certain subsidiaries is less than the percentage of control as these companies are owned by Loblaw Companies Limited in which George Weston Limited holds a 63% interest.

(b) Change in accounting practice

The Canadian Institute of Chartered Accountants has recommended that, with rare exception, all subsidiaries should be fully consolidated effective for financial years commencing on or after January 1, 1973. Because of practical problems, it was not possible to include the consolidated financial statements of Loblaw Companies Limited in the consolidated financial statements of George Weston Limited for the year ended December 31, 1973. Therefore, in 1973 as in prior years, the investment in Loblaw Companies Limited was accounted for on the cost basis and only dividends received therefrom were included in income.

In 1974, in order to comply with generally accepted accounting principles, the Company retroactively adopted the practice of consolidating Loblaw Companies Limited and adjusted the consolidated retained earnings at January 1, 1974 to give effect to this practice. The comparative consolidated balance sheet has been restated; however, it is not practicable to restate the other 1973 comparative figures. The 1974 statement of income "excluding Loblaw Companies Limited" has been included to show the effect of this change in practice.

(c) Acquisitions

During the year the Company and its subsidiaries acquired nine businesses. These transactions were accounted for as purchases, with the operating results of the acquired businesses included in the consolidated statement of income from the effective dates of acquisition.

The acquisition equation based on unaudited financial statements at dates of acquisition is set out below:

	1974
	(in thousands of dollars)
Net assets acquired at fair value	
Currents assets	$18,139
Fixed assets	7,180
Investments	105
	25,424
Liabilities	18,744
Deferred income taxes	322
Minority interest	1,039
	20,105
Net assets acquired	5,319
Excess of cost of shares over fair value of net assets acquired	2,027
	$ 7,346
Consideration	
Minority interest acquired for cash in prior year	$ 510
Cash paid in 1974	6,527
Note payable	309
	$ 7,346

(d) Amortization of goodwill arising on consolidation of subsidiaries

In 1969 and subsequent years the Company has followed the policy of amortizing, over periods not exceeding twenty years, the net difference between cost of the investments in subsidiaries and the estimated fair value of their net assets at the dates of acquisition. Prior to 1969 the differences between such cost and book values of net assets at acquisition were charged (or credited) directly to retained earnings.

Loblaw Companies Limited has been consolidated using the accounting policy in force at the dates of acquisition. Accordingly, the difference between cost and book value of net assets acquired prior to 1969 in this acquisition has been charged to retained earnings and the difference arising in 1969 and subsequent years is being amortized.

In the case of one acquisition in 1969 the fair value of net assets exceeded the cost of the investment. This excess was amortized and credited to income over five years, this being

the estimated period necessary to achieve the full economies of integration.

Total amortization for 1974 is a charge of $370,000 and is included in "Cost of sales, selling and administrative expenses".

(e) Inventories

Retail store inventories are stated at the lower of cost and net realizable value less normal profit margin. All other inventories are stated at the lower of cost and net realizable value.

(f) Deferred foreign exchange adjustment

All U.S. balances have been translated at a rate approximating the current rate. The net difference on the translation of the Company's equity in U.S. subsidiaries and the long-term debt payable in U.S. funds by its Canadian subsidiaries has been deferred until realized and is shown on the balance sheet as "Deferred foreign exchange adjustment".

(g) Fixed assets

Depreciation is recorded principally on a straight-line basis to amortize the cost of fixed assets over their estimated useful lives. The depreciation rates are substantially as follows:

Buildings	2½ to 5%
Automotive equipment	15 to 25%
Ships	6⅔ to 7½ %
Equipment and fixtures	5 to 15%
Leasehold improvements	Lesser of useful life or term of lease

When fixed assets are sold or scrapped, the cost of the asset and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in income, except that National Tea Co. applies the gain or loss on normal dispositions of fixtures and equipment to accumulated depreciation.

(h) Deferred real estate income

The profits realized on the sale and leaseback of property have been deferred and are being amortized over various periods, mainly twenty-five years, according to the term of the respective leases.

2. Income taxes

Certain subsidiary companies have incurred losses, the tax effect of which has not been recorded in the accounts. This potential tax reduction relating to 1974 losses reported in the financial statements amounts to approximately $6,500,000.

A summary of the more significant tax loss positions of these subsidiary companies is as follows at December 31, 1974:

	National Tea Co. and subsidiaries	Other principal subsidiaries
	(in thousands of dollars)	
Date of expiry of loss carry-forward on a tax filing basis		
1975		$ 199
1976		279
1977	$12,990	777
1978	13,400	3,940
1979	9,380	8,459
	35,770	13,654
Expenses recorded for book purposes not yet claimed for tax purposes	5,360	830
Excess of tax value of fixed assets over the net book value thereof	7,630	1,478
	$48,760	$15,962
The Company's effective interest therein	$17,354	$ 8,036

Unused investment tax credits of approximately $2,343,000 are available to National Tea Co. and its subsidiaries to offset future taxes payable. Of this amount, $242,000 expires in 1978, $723,000 expires in 1979, $590,000 expires in 1980 and $788,000 expires in 1981. The effective interest of George Weston Limited in these investment tax credits is approximately $843,000 at December 31, 1974.

3. Extraordinary items

	1974
	(in thousands of dollars)
Gain on sale of G. Tamblyn, Limited head office and warehousing facility	$4,367
Income tax reductions realized on application of prior years' losses	374
	4,741
Minority interest	2,862
	$1,879

4. Accounts receivable

	1974	1973
	(in thousands of dollars)	
Trade	$125,047	$102,934
Other	33,594	19,718
Loans, advances and non-current receivables due within one year	2,417	3,023
	$161,058	$125,675

5. **Inventories,** by division

	1974			1973
	Raw materials and supplies	Finished goods	Total	Total
	(in thousands of dollars)			
Wholesale and retail	$ 12,390	$324,123	$336,513	$304,450
Sugar	36,806	693	37,499	12,372
Other food processing	36,329	85,714	122,043	105,749
Forest products and packaging	33,607	15,858	49,465	33,804
	$119,132	$426,388	$545,520	$456,375

6. **Investments,** at cost

	1974	1973
	(in thousands of dollars)	
Secured loans and advances	$12,237	$15,452
Sundry investments	10,277	12,554
Non-current receivables	3,425	2,582
Properties held for development	2,943	2,501
	$28,882	$33,089

Secured loans and advances include $3,003,000 owing by directors and officers of the Company and its subsidiaries arising out of the purchase of preferred shares of the Company through a trustee as part of the Company's incentive plan. These advances are secured by the shares purchased.

Sundry investments include 837,005 shares of M. Loeb, Limited at a cost of $5,049,000 with a quoted market value of $1,967,000 at December 31, 1974. At the request of the Department of Consumer and Corporate Affairs of the Federal Government, the Company has agreed to dispose of the shares as soon as conveniently possible. The quoted market value is not necessarily indicative of their realizable value because of the number of shares held.

The remaining sundry investments do not have quoted market values and realizable value is estimated to approximate cost.

7. **Fixed assets,** at cost

	1974	1973
	(in thousands of dollars)	
Land	$ 31,384	$ 30,123
Buildings	161,938	135,161
Equipment and fixtures	633,316	596,110
Leasehold improvements	65,688	55,801
	892,326	817,195
Accumulated depreciation	434,162	419,737
	$458,164	$397,458

8. Bank advances and notes payable

Bank indebtedness of certain subsidiary companies of approximately $42,724,000 is secured by a pledge of accounts receivable and inventories of these companies.

9. Accounts payable and accrued liabilities

	1974	1973
	(in thousands of dollars)	
Trade	$269,540	$211,004
Affiliated companies	158	2,559
Other	60,976	64,612
	$330,674	$278,175

10. Long-term debt

	Maturity	Payable within one year	Total 1974	Total 1973
		(in thousands of dollars)		
George Weston Limited				
Sinking Fund Debentures				
5¼ % Series C	1982	$ 380	$ 8,255	$ 8,529
5½ % Series D	1983	191	8,591	9,079
6¾ % Series E	1986	272	6,522	6,995
6¾ % Series F	1987	355	21,355	22,100
Bank loan bearing interest at ½ % above the bank's prime rate	1977	3,000	23,000	26,000
Bank term debenture bearing interest at 2¼ % above the bank's prime rate (subject to reduction to 1% above the bank's prime rate if loan repaid prior to 1978)	1987	750	13,500	14,250
Conditional purchase agreement bearing interest at the bank's prime rate	1977	86	604	719
		5,034	81,827	87,672
British Columbia Packers Limited and subsidiaries				
First Mortgage Sinking Fund Bonds				
6½ % Series B (U.S. $3,372,000)	1983	386	3,476	3,862
6½ % Series C (U.S. $1,124,000)	1983	129	1,159	1,288
5½ % Loan payable	1988	21	312	
8% Note payable	1977	103	309	
Other notes and mortgages payable	1983-1989	201	569	484
		840	5,825	5,634
Eddy Paper Company Limited and subsidiaries				
First Mortgage Sinking Fund Bonds				
4% 1954 Series	1974			3,538
4% 1955 Series	1975	945	945	945
		945	945	4,483
Less funds deposited with trustee to meet all principal repayments to maturity		(945)	(945)	(4,483)
		—	—	—
8% Loan payable	1975	804	804	804
Other notes and mortgages payable		411	782	
		1,215	1,586	804

	Maturity	Payable within one year	Total 1974	Total 1973
		(in thousands of dollars)		
Kelly, Douglas & Company, Limited and subsidiaries				
Sinking Fund Debentures				
6% Series A	1977	$ 85	$ 1,285	$ 1,366
8⅜% 1973 Series	1993		11,475	11,475
5½% Demand notes payable	1974			2,973
Bank loan bearing interest at 1% above the bank's prime rate	1979	500	6,375	
Other notes and mortgages payable	1981-1989	82	802	585
		667	19,937	16,399
Loblaw Companies Limited				
Bank loan bearing interest at 1% above the bank's prime rate secured by a pledge of 3,000,000 shares of National Tea Co.	1977	1,000	18,000	19,000
8¼% Notes payable	1976		1,950	1,950
		1,000	19,950	20,950
Loblaws Limited				
Bank loan bearing interest at 1% above the bank's prime rate	1976		15,000	15,000
Sinking Fund Debentures				
4¾% Twenty year	1974			482
4% Series C	1975	2,880	2,880	3,091
4¾% Series D	1976		200	204
6% Series E	1977	290	2,530	2,742
5¾% Series F	1981	368	4,768	5,018
6⅜% Series G	1991	28	6,428	6,788
6¾% Series H	1991		6,738	7,184
Mortgages payable	1976-1994	319	2,623	3,804
		3,885	41,167	44,313
National Tea Co. and subsidiaries				
5% Sinking Fund Debentures (U.S. $3,440,000)	1977		3,547	4,169
3½% Subordinated Debentures (U.S. $2,313,000)	1980		2,385	2,385
Bank term loan bearing interest at ½% above the bank's prime rate (U.S. $39,000,000)	1979	5,155	40,207	40,207
Equipment purchase obligations bearing interest at ¾% to 1½% above the bank's prime rate (U.S. $3,263,000)	1975-1978	1,290	3,363	4,696
Instalment mortgage notes (U.S. $291,000)	1975-1983		300	363
		6,445	49,802	51,820
Somerville Industries Limited				
6% Series B Sinking Fund First Mortgage Bonds	1977		676	676
8½% Sinking Fund Debentures	1993	100	7,900	7,900
		100	8,576	8,576
Westcane Sugar Limited				
9⅜% Sinking Fund Debentures	1978	$ 1,200	$ 4,800	$ 6,000
9⅜% First Mortgage Sinking Fund Bonds	1993		9,000	9,000
		1,200	13,800	15,000
Other				
Construction loan to be converted into mortgages payable at 9½% maturing in 2004 (U.S. $20,543,000)		34	21,178	
Notes, mortgages and other long-term debt with a weighted average interest rate of 8.77% (U.S. $2,142,000)	1975-1992	2,083	17,018	15,018
		2,117	38,196	15,018
		$22,503	280,666	266,186
Less payable within one year			22,503	14,841
Long-term debt			$258,163	$251,345

At March 18, 1975 the Canadian bank's prime rate was 9% and the U.S. bank's prime rate was 8%.

National Tea Co.'s bank term loan, which is guaranteed by Loblaw Companies Limited, contains the restriction that National Tea Co. cannot pay cash dividends or acquire its capital stock, until retained earnings exceed those at April 3, 1971 of U.S. $78,200,000. Retained earnings at the 1974 year end are U.S. $24,000,000. In addition National Tea Co. has agreed to maintain interest-free bank balances totalling approximately U.S. $6,500,000, working capital of U.S. $40,000,000 and the aggregate of shareholders' equity and subordinated debt of U.S. $89,000,000; all of these terms are met at December 31, 1974.

Principal payable in the next five years on the above long-term debt of the Company and its subsidiaries is:

1975	$22,503,000	1978	$20,043,000
1976	43,983,000	1979	19,107,000
1977	60,640,000		

11. Other liabilities

	1974	1973
	(in thousands of dollars)	
Capitalized lease obligations	$2,821	$1,990
Deferred employee compensation	940	1,020
Provision for future net obligations on closed operations	2,109	4,685
	$5,870	$7,695

12. Capital stock

	Number of shares		Amount	
	1974	1973	1974	1973
			(in thousands of dollars)	
Preferred cumulative redeemable shares, par value $100 each, issuable in series				
Authorized	351,497	352,497		
Issued				
4½% First series, redeemable at a premium of 4%	92,671	94,111	$ 9,267	$ 9,411
6% Second series, redeemable at a premium of 5%	76,602	76,959	7,660	7,696
6% Third series, redeemable at par after October 1, 1980, convertible into 5 common shares for each preferred share and $3.75	4,000	14,000	400	1,400
6% Fourth series, redeemable at par after October 1, 1980, convertible into 8 common shares for each preferred share and $12.00	625	2,500	63	250
6% Fifth series, redeemable at par after September 1, 1982, convertible into 5 common shares for each preferred share and $11.25	20,000	20,000	2,000	2,000
6% Sixth series, redeemable at par after January 1, 1983, convertible into the number of common shares obtained by dividing the aggregate par value of such preferred shares by $18.50	1,850	6,475	185	647
6% Seventh series, redeemable at par after February 19, 1983, convertible into the number of common shares obtained by dividing the aggregate par value of such preferred shares by $21.00	3,550	3,550	355	355
	199,298	217,595	19,930	21,759
Common shares, without par value				
Authorized	16,950,000	16,950,000		
Issued	10,999,361	10,914,357	20,834	19,227
			$40,764	$40,986

The Company has reserved 151,905 common shares for the potential conversion of Third through Seventh series preferred shares. The exercise of the conversion privileges of preferred shares would not have a material effect on earnings per share.

During the year the Company issued 85,004 common shares for $56,000 cash and the conversion of 15,500 preferred shares. In addition 2,797 preferred shares (1973—2,094 shares) were purchased for cancellation at a cost of $205,000 (1973—$151,000).

Subsequent to December 31, 1974 the Company has authorized the issue of 20,375 6% Eighth series preferred shares, redeemable at par after January 27, 1985, convertible into the number of common shares obtained by dividing the aggregate par value of such preferred shares by $22.50.

13. Retained earnings

The Trust Indentures securing the Company's sinking fund debentures contain provisions whereby certain tests must be met before the declaration of dividends. At December 31,1974 a substantial portion of consolidated retained earnings is available for dividends.

14. Working capital derived from operations

	Including all subsidiaries	Excluding Loblaw Companies Limited (note 1(b))
	1974	1973
	(in thousands of dollars)	
Income from operations before extraordinary items	$ 40,179	$34,629
Add (deduct)		
Depreciation	48,834	19,811
Deferred income taxes	13,494	10,078
Amortization of goodwill arising on consolidation of subsidiaries	370	(1,093)
Amortization of deferred real estate income and capitalized lease obligations	(776)	(103)
Minority interest	2,136	3,461
Other	76	(53)
	$104,313	$66,730

15. Commitments and contingent liabilities

(a) The Company and its subsidiaries have obligations under long-term leases for retail outlets, warehousing facilities, equipment and store fixtures. The aggregate minimum rentals (exclusive of additional rents based on sales, realty taxes and other charges) under leases with an initial term greater than five years are as follows for each of the periods shown:

For the year	(in thousands of dollars)
1975	$ 63,251
1976	61,244
1977	58,629
1978	55,829
1979	53,151
For the five years ending	
1984	205,574
1989	138,006
1994	92,547
1999	58,710
Thereafter to 2023	6,203
	$793,144

(b) Endorsements and guarantees amount to $24,675,000.

(c) The present value of the unfunded past service pension liability (principally Loblaw Companies Limited and subsidiaries) is estimated to be approximately $14,000,000 at December 31, 1974 and is to be amortized over various periods not exceeding seventeen years.

(d) The announced intention of Loblaw Companies Limited to acquire further shares in subsidiary companies may require a cash investment of up to $23,000,000, see note 16.

16. Subsequent events

(a) The Company's investment in equity share capital of Westfair Foods Ltd. has been sold to Kelly, Douglas & Company, Limited in exchange for 3,700,000 Class A shares of that company.

(b) Loblaw Companies Limited has announced that it intends to offer to purchase the minority interest in equity share capital of Loblaw Inc., Sayvette Limited and G. Tamblyn, Limited. Loblaw Companies Limited has also announced that it intends to offer to purchase a portion of the minority interest in National Tea Co. A cash investment of $23,000,000 would be required to complete these purchases.

(c) The Company has agreed to sell its investment in 4,061,958 Class A and 1,074,641 Class B shares of Kelly, Douglas & Company, Limited, subject to approval by the shareholders of Loblaw Companies Limited in exchange for the issue to the Company of 6,676,501 Class A shares and 4,204,370 Class B shares of Loblaw Companies Limited.

(d) The Company's interest in the equity share capital of certain principal subsidiaries may be revised to the following as a result of the foregoing items if the offers referred to in (b) and the transaction referred to in (c) are all concluded as proposed:

Loblaw Companies Limited	81%
Kelly, Douglas & Company, Limited	66%
Westfair Foods Ltd.	66%
Loblaws Limited	81%
Atlantic Wholesalers Limited	71%
Loblaw Inc. (U.S.)	81%
National Tea Co. (U.S.)	65%
Sayvette Limited	81%
G. Tamblyn, Limited	81%

(e) Additional shares of National Tea Co. may be purchased in order to avoid proration of tendered shares, in which case the Company's investment could be increased to 67% and a further expenditure of $1,000,000 could be required.

17. Other statutory information

(a) The aggregate direct remuneration paid to directors and officers is as follows:

Number of directors	11 (including 3 former directors)
Numbers of officers	19 (including 5 former officers)
Number of officers who are also directors	6 (including 1 former officer who is also a former director)

	Directors' fees	Other remuneration
Paid by the Company	Nil	$825,767
Paid by subsidiaries	$6,300	752,593

(b) Sales by division

	Including all subsidiaries	Excluding Loblaw Companies Limited (note 1(b))	
	1974	1974	1973
	(in millions of dollars)		
Food distribution			
Wholesale and retail	$3,982.4	$ 903.8	$ 715.4
Food and other processing			
Bakery	131.9	131.9	98.3
Biscuit	142.2	142.2	121.5
Chocolate and dairy	89.5	89.5	72.2
Fisheries	187.1	187.1	176.3
Packaging	61.7	61.7	51.3
Manufacturing and other	103.6	103.6	44.6
	716.0	716.0	564.2
Forest products	220.8	220.8	140.1
Interdivision	(185.8)	(79.7)	(42.3)
	$4,733.4	$1,760.9	$1,377.4

(c) The Companies Act of British Columbia
These financial statements comply with the disclosure requirements of the act of incorporation (The Canada Corporations Act) and the securities legislation of certain provinces in Canada, but do not purport to comply with all disclosure requirements unique to the Companies Act of British Columbia.

Auditors' Report

To the Shareholders of
George Weston Limited

We have examined the consolidated balance sheet of George Weston Limited and all subsidiary companies as at December 31, 1974, and the consolidated statements of income, retained earnings and changes in financial position, for the year then ended. For George Weston Limited and those subsidiaries of which we are auditors, our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. For those subsidiaries of which we are not the auditors, we have carried out such enquiries and examinations as we considered necessary in order to rely on the reports of the other auditors for purposes of consolidation.

In our opinion the consolidated financial statements referred to above present fairly the financial position of the companies as at December 31, 1974 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied, except as set out in note 1(b) to the consolidated financial statements, on a basis consistent with that of the preceding year.

The consolidated financial statements of George Weston Limited and consolidated subsidiary companies for the year ended December 31, 1973 were reported on by other Chartered Accountants who included a reservation in their opinion because Loblaw Companies Limited was not consolidated therein (note 1(b)).

Thorne Gunn & Co.

Chartered Accountants

Toronto, Canada
March 18, 1975
(April 7, 1975 as to
note 16(c) and (d))

Directors

W. Galen Weston
Chairman of the Board
and Managing Director
George Weston Limited,
President and
Chief Executive Officer
Loblaw Companies Limited

W. Garfield Weston
Vice-Chairman of the Board
and President
George Weston Limited

Richard J. Currie
Senior Vice-President
George Weston Limited,
Executive Vice-President
Loblaw Companies Limited

David A. Nichol
Senior Vice-President
George Weston Limited,
Executive Vice-President
Loblaw Companies Limited

Mark Hoffman
Senior Vice-President
George Weston Limited

George C. Metcalf
Vice-President
George Weston Limited,
Chairman of the Board
Loblaw Companies Limited

Frank A. Riddell
Vice-President
George Weston Limited,
Chairman of the Board
Weston Bakeries Limited,
President
InterBake Foods Limited

James A. Watson
Vice-President
George Weston Limited,
President
National Tea Co.

Richard I. Nelson
President
British Columbia Packers Limited

Garry H. Weston
Chairman
Associated British Foods Limited

Officers

W. Galen Weston
Chairman of the Board
and Managing Director

W. Garfield Weston
Vice-Chairman of the Board
and President

Richard J. Currie
Senior Vice-President

David A. Nichol
Senior Vice-President

Mark Hoffman
Senior Vice-President

George C. Metcalf
Vice-President

Frank A. Riddell
Vice-President

James A. Watson
Vice-President

Kenneth H. Smith
Secretary

William A. Sloan
Treasurer

Kenneth L. Harlock
Controller

Bruce G. Childs
Manager of Special Projects

Ivan R. Franklin
Assistant Treasurer
and Tax Manager

John W. Richardson
Assistant Treasurer

Charlotte Welch
Assistant Secretary

Executive Offices
Commerce Court West, Toronto, Ontario

Stock Listings
Toronto, Montreal and Vancouver
Stock Exchanges

Transfer Agents
National Trust Company, Limited,
Toronto, Montreal, Winnipeg,
Edmonton and Vancouver;
The Detroit Bank and Trust Company,
Detroit, Michigan, U.S.A.

General Counsel
Smith, Lyons, Torrance, Stevenson and
Mayer

Auditors
Thorne Riddell & Co.
Toronto, Ontario

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